Box 3: Forecast Errors and Macroeconomic Shocks in 2025 - Monetary Policy Report, April 2026

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In 2025, the Colombian economy continued on its path of recovery, with economic activity registering an annual growth of 2.6%, surpassing the 1.5% observed in 2024. In turn, annual headline inflation converged more slowly toward the target, ending 2025 at 5.1%, close to the 5.2% recorded at the end of 2024. Inflation’s behavior was influenced by an easing of annual price adjustments for regulated goods and services, which was offset by increased price volatility for food and other goods.

Relative to the projection provided by *Banco de la República’s* technical staff in January 2025, economic growth continued in line with expectations, but its components offered varied surprises. On the one hand, total consumption growth exceeded expectations in both the private and public segments. On the other hand, gross capital formation was weaker than anticipated, mainly due to weaker investment in housing and civil works. Inflation was above the forecasts made at the beginning of 2025. Both core inflation, excluding food and regulated items, and food and regulated inflation surpassed the technical staff’s forecast during 2025.

This box uses one of the central forecasting models (4GM) to analyze the surprises in the observed inflation data and the GDP gap estimate for 2025 relative to the technical staff’s forecast. The purpose of this exercise is to interpret forecast errors, measured as the difference between the observed data for the macroeconomic variables at the end of 2025 and the corresponding projections prepared by the technical staff in January of the same year, and to relate these errors to the explanatory shocks identified by the model. This analysis is similar to that described in De Castro Valderrama et al. (2021) and is part of the internal evaluation carried out annually by the technical staff on its forecasting process. The following exercise analyzes annual headline and core inflation, as well as the GDP gap.

Fuente: https://www.banrep.gov.co/en/publications-research/monetary-policy-report/box3-april-2026